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BIWEEKLY REPORT

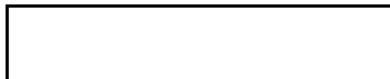
SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

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14 March 1960

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

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Summary of Events
26 February - 10 March 1960

The USSR has extended to Indonesia a credit of \$250 million. In addition, a Soviet offer of a cruiser and several submarines is reported to have been accepted by the Indonesians. The two countries have also agreed to increase cultural exchanges, and the USSR promised to build a hospital in Djakarta, the first outright gift to Indonesia under the Soviet aid program.

Premier Khrushchev recently announced that the USSR will establish a university in Moscow for students from underdeveloped areas. The institution, to be called the "University of Peoples' Friendship," is scheduled to open this year with 500 students.

On 2 March, Japan and the USSR signed a trade agreement calling for an exchange of commodities worth \$210 million each way over a 3-year period. The improvement in Soviet-Japanese trade relations implied by this agreement is overshadowed by Soviet reactions to the revised US-Japanese security treaty, by Khrushchev's anti-Japanese remarks in Indonesia, and by Soviet efforts to curtail even further Japanese fishing operations in the northwest Pacific.

The draft of a new agreement between the United Arab Republic (UAR) and the USSR for the implementation of the Aswan High Dam project has been completed. The USSR will provide the equivalent of \$287 million to cover the foreign exchange costs of the project, and a new schedule has been set up which combines the two stages of work that were previously planned and which reduces the total construction time by 3 years.

Czechoslovakia recently offered Iraq a credit of \$30 million for economic development, an offer which Iraq is expected to accept. The credit will probably be used to finance projects which would have an impact in the relatively near future.

The USSR and Guinea have signed a protocol implementing the Soviet credit of \$35 million extended to Guinea in July 1959. The USSR agreed to provide aid for several development projects and to

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furnish technical assistance for the establishment of a number of small industries.

Afghanistan has accepted a Soviet gift of 50,000 tons of wheat that was offered by Khrushchev during his recent visit. The proceeds of the sale of this wheat on the Afghan market will probably be available to the Afghan government to meet the local currency costs of development projects.

The USSR, Czechoslovakia, and East Germany have recently intensified their economic activities in Brazil. Four Soviet technicians are in Brazil to develop plans for the construction of a plant for the commercial production of gas from oil shale; Czechoslovakia, through its foreign trade corporation Technoexport, is interested in plans for a thermal electric powerplant in Porto Alegre and a hydroelectric powerplant in Para State; and East Germany has signed a barter agreement with Brazil calling for the exchange of coffee valued at \$8.7 million for 650 roadbuilding machines.

On 3 March, Cuba signed a 1-year interbank trade and payments agreement with East Germany. The pact envisions the exchange of Cuban sugar and other agricultural products for East German machinery and industrial installations. Trade presumably will be conducted through the Cuban National Bank and the Deutsche Notenbank on a barter basis.

British Guiana reportedly will purchase a small glass factory from Hungary. The leader of the government of British Guiana, Cheddi Jagan, who is a Communist and a firm advocate of expanded economic relations with the Soviet Bloc, has indicated a willingness to seek a loan from the USSR if economic aid from the West is not adequate to fulfill the foreign exchange requirements of the 1960-65 development plan of his country.

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